

**BUSINESS CASE ANALYSIS
FOR CONSOLIDATION OF LOGISTICS SUPPORT
AT COMMANDER FLEET ACTIVITIES OKINAWA**

1. INTRODUCTION

1.1 Purpose: This report is a Business Case Analysis (BCA) of a proposal to establish a partnership between Commander Fleet Activities Okinawa (CFAO) and the U.S. Fleet and Industrial Supply Center Yokosuka (FISC Yokosuka) for consolidation of Navy/Marine Corps logistics support on Okinawa.

1.2 Background: The Navy Supply Systems Command (NAVSUP) strategy for preserving the U.S. Navy's warfighting capabilities during reductions in annual budgets is to consolidate Navy logistics through a system of partnerships between FISC and other Navy organizations engaged in similar logistics activities. Logistical support for Navy and Marine Corps activities located on the island of Okinawa, and for visiting ships, is currently provided via numerous activities and channels. The Logistics department at CFAO does not possess the surge capability to fully accommodate ARG re-supply requirements, further stressing the fragmentation between the various logistics networks during periods of heavy port loading.

The mission of FISC Yokosuka is to provide supplies and services to forces forward deployed or permanently stationed in the Western Pacific. FISC Yokosuka provides direct logistical support to several large commands on the island of Okinawa, namely MALS-36, NSGA Hanza, and U.S. Naval Hospital Okinawa. Requirements for these large commands are submitted directly to FISC Yokosuka. CFAO does not provide support to these commands, except in rare circumstances such as urgent walk-thrus or local purchase requirements. Using UADPS-2 supply management programs, FISC provides a broad scope of logistical support services, including management of a wide range of material at multiple sites throughout Japan.

The Logistics Department of Commander Fleet Activities Okinawa (CFAO) primarily provides logistical support to the U.S. Naval Air Facility Kadena's aviation squadrons and detachments, and units transiting Okinawa. The Logistics Department provides the following services:

- a. Operates a Customer Service Section, serving as the single point of contact for customer services for activities to place requirements for material and services, both aviation and non-aviation.
- b. Operates divisions to receive, store and issue aviation and general stores material.
- c. Operates the Bachelor Quarters (BQ).
- d. Operates an Automated Data Processing Division (ADP).
- e. Operates a Financial Division.
- f. Manages Interservice/Intraservice Support Agreements (ISSAs).
- g. Operates Postal Division.

Inventory management at CFAO is performed using the UADPS Level II inventory system which provides real-time, automated, database management, but no inventory visibility at the FISC, or regional level.

1.3 Concept of Operations: Under the proposed partnership, a UADPS-2 site would be established at FISC Yokosuka Site Okinawa, eliminating the current UADPS Level II system. Inventories held at FISC Yokosuka Site Okinawa would comprise one site within FISC's regional system.

1.4 Scope: This proposal specifically addresses the management and storage of retail inventories held at CFAO, and specifically excludes fuel operations.

1.5 Objective: To quantify the expected efficiencies and economies to be achieved through a logistic partnership.

1.6 Assumptions and Constraints: Results of this BCA are based on the following assumptions and constraints:

- a. Inventory to be positioned at FISC Yokosuka Site Okinawa would be based on demands from customers in the Okinawa area.

b. UADPS-2 would be the inventory management system utilized by FISC Yokosuka and partner sites.

c. Specific commodities of material (e.g., classified, medical, gases and cylinders, hazardous, etc.) may be excluded from site positioning.

d. The CBQ, Budget, and Base Level Computing (BLC) operations are not part of the proposed partnership.

e. ISSA with the U.S. Air Force remains as is with 5 MLC packing and crating billets TAD.

f. Materials, supplies, and training for local operations is expected to remain constant.

2. FUNCTIONAL REQUIREMENTS

2.1 Overview

2.1.1 Current Operations: The CFAO manages their supply operations on a stand alone UADPS Level II system. Until several years ago, CFAO's primary customer was Naval Air Facility Kadena (NAFK), and the department managed upwards of 30,000 line items of material. When NAFK's AIMD was shut down, however, it essentially eliminated CFAO's customer base. Currently, CFAO Logistics department stocks have dwindled to approximately 1,000 line items. Despite this drastic reduction, ADP system, warehousing capacity, and labor force still exist to handle the volume of business seen at CFAO's peak.

2.1.2 Workload Data: (monthly avg.)

	Issues	Receipts	Purchases	FIR Transactions
CFAO:	150	800*	114	2,416

* Includes transshipments

2.2 Requirements:

2.2.1 CFAO: CFAO desires to increase the range and depth of stock carried, to allow better support and reduced Average Customer Wait Time (ACWT)

for their on-island customers. Improved asset visibility and inventory management are additional benefits CFAO is seeking through a partnership with FISC Yokosuka.

2.2.2 FISC Yokosuka: A partnership with CFAO must provide asset visibility, be cost effective, and provide the same or better level of service to the customer.

3. FUNCTIONAL ANALYSIS

3.1 BCA Methodology: Data for this study was collected by teams of CFAO and FISC Yokosuka personnel. On-site visits were conducted to observe/discuss current business practices and processes, and to review existing records/reports. The “to be” proposal was developed from the analysis of the data collected. Costs for both the “as is” and the “to be” operations were based on information provided by CFAO and FISC Yokosuka personnel.

3.2 Baseline Cost Analysis:

3.2.1 Baseline Costs:

3.2.1.1 Civilian Personnel: Civilian personnel costs were calculated based on authorized positions (in the impacted areas) at representative pay rates.

AUTHORIZED POSITIONS	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST (\$\$)
CFAO - USCS			
Purchasing Division	GS-9	1	\$ 32,768
Purchasing Division	GS-6	1	\$ 21,269
CFAO - USCS SUB-TOTAL		2	\$ 54,037
CFAO - MLC			
Admin Division	MLC	4	-
Financial Division (Matl Acctg)	MLC	4	-
Control Division	MLC	5	-
Purchasing Division	MLC	3	-
ADP Division (Non-BLC)	MLC	2	-

QA Division	MLC	2	-
Postal Division	MLC	1	-
Material Division	MLC	9	-
Overtime Costs	MLC		\$ 49,614
CFAO - MLC SUB-TOTAL	MLC	30	\$ 49,614
TOTAL BASELINE CIVILIAN LABOR COSTS			\$103,651

3.2.1.2 Military Personnel: Military labor costs were calculated using current billet assignments (to the impacted areas) and civilian equivalent pay rates.

AUTHORIZED POSITION	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST (\$\$)
CFAO			
Admin Division	O-3	1	\$ 58,261
Purchasing Division	E-6	1	\$ 26,515
Material Division	E-7	1	\$ 29,554
Material Division	E-6	2	\$ 53,030
Material Division	E-5	1	\$ 26,515
Material Division	E-4	1	\$ 23,699
Postal Division	E-6	1	\$ 26,515
Postal Division	E-5	1	\$ 26,515
Postal Division	E-3	3	\$ 63,345
QA Division	E-7	1	\$ 29,554
TOTAL BASELINE MILITARY LABOR COSTS		13	\$363,503

3.2.1.3 ADP: The annual cost of supporting the UADPS Level II system is a **\$78K** IBM maintenance contract. Additionally, under the current Level II System, CFAO is scheduled to re-host to a newer IBM mainframe platform. The one-time conversion cost of this re-hosting effort is estimated at \$466,000.

3.2.2 Total Baseline Costs:

COST CATEGORY	ANNUAL COST	
	Dollars	Billets
USCS	\$ 54,037	2
MLC (Overtime) *	\$ 49,614	30
Military Personnel	\$363,503	13
ADP	\$ 78,000	-
TOTAL BASELINE COSTS	\$545,154	45

* Does not include MLC labor costs due to cost sharing under SMA.

3.3 FISC Yokosuka Proposal Cost Analysis:

3.3.1 Concept of Operations: FISC Yokosuka proposes to establish a logistics partnership at CFAO. Material currently stocked and managed by CFAO Logistics Department would be incorporated into this site. Under this proposal, “A” purpose code inventories held in Okinawa would be owned and managed by FISC Yokosuka, and they would support the Okinawa regional customer base, including MALS-36, NAF Kadena, and visiting ships. This partnership will integrate the resources of FISC Yokosuka and CFAO Logistics Department into one consolidated site within the FISC regional network. This site would serve as the storefront for all FISC products and services, providing Okinawa customers with “one-touch supply”. Material positioning at the site is intended to improve customer response time, minimize the impact of transportation delays, and reduce the level of end-use material stocked by customers to accommodate order and delivery timeframes. Material unique to Okinawa customers, such as unique helicopter components for MALS-36, could be positioned at FISC’s Okinawa site, closer to the point of customer consumption. Stock levels at Okinawa could as much as double, from 1,000 to 2,000 line items, due to the positioning of these unique customer requirements.

During periods of heavy port loading, staffing at FISC’s Okinawa site could be augmented through the deployment of beach detachments or fly-away teams from Yokosuka. These teams would bolster the existing infrastructure in Okinawa as needed to ensure fleet requirements are fulfilled. Under the proposed concept of operations, products and services currently provided by CFAO Logistics Department such as Customer Service, Purchasing, and Physical Distribution would

continue to be provided by FISC's Okinawa site, essentially as they are today. Inventory management and financial material accounting functions would transfer to Yokosuka, freeing up labor resources that are currently duplicated at FISC and CFAO. Chart 1 below shows the current staffing and the proposed staffing requirements under the partnership. Chart 2 shows a breakdown of the reductions for CFAO divisions.

PERSONNEL	CURRENT STAFFING REQUIREMENTS	PROPOSED FISC REQUIREMENTS
Civilian USCS	2	2
Civilian MLC	30	20
Military Billets	13	13
TOTALS	45	35

Chart 1

CFAO DIVISION	CURRENT NUMBER OF POSITIONS	PROPOSED NUMBER OF POSITIONS
Admin	5	5
Financial (Matl Acctg)	4	1
Control	5	1
Purchasing	6	6
Material	14	14
ADP (Non-BLC)	2	0
Postal	6	6
QA	3	2
TOTALS	45	35

Chart 2

3.3.2 Projected Annual Costs:

3.3.2.1 Civilian Personnel: Projected civilian labor costs reflect the transfer of inventory management responsibilities for "A" purpose code stocks to FISC Yokosuka, and the establishment of a storefront activity at CFAO.

AUTHORIZED POSITION	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST (\$\$)
CFAO - USCS			
Purchasing Division	GS-9	1	\$32,768
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CFAO - USCS SUB-TOTAL		2	\$54,037
CFAO - MLC			
Admin Division	MLC	4	-
Financial Division (Matl Acctg)	MLC	1	-
Control Division	MLC	1	-
Purchasing Division	MLC	3	-
ADP Division (Non-BLC)	MLC	0	-
QA Division	MLC	1	-
Material Division	MLC	9	-
Postal Division	MLC	1	-
Overtime Costs	MLC		\$29,476
CFAO - MLC SUB-TOTAL	MLC	20	\$29,476
TOTAL PROJECTED CIVILIAN LABOR COSTS			\$83,513

3.3.2.2 Military Personnel: Military personnel projections are also based on the creation of a CFAO storefront, supporting CFAO area customers with backroom support provided by FISC Yokosuka.

AUTHORIZED POSITION	PAY PLAN/ GRADE	ANNUAL LABOR COST (BILLETS)	ANNUAL LABOR COST (\$\$)
CFAO			
Admin Division	O-3	1	\$ 58,261
Purchasing Division	E-6	1	\$ 26,515
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Postal Division	E-3	3	\$ 63,345
QA Division	E-7	1	\$ 29,554
TOTAL PROJECTED MILITARY LABOR COSTS			\$363,503

3.3.2.3 ADP: A 20KB telecommunications line for STARS-FL is currently in place, and U2 communications could be accomplished via that existing line at no additional costs (i.e. \$12K annually). If this line does not meet the required processing time, it could be upgraded to a 56KB line for an additional \$18,000 annually. If this were to occur, then sufficient band width will exist to include U2 processing at no additional cost.

3.3.2.4 Travel/Training: Upon converting CFAO from a stand-alone site to a U2 partner, site interface will be the responsibility of FISC Yokosuka and its designated Site Liaison Office. Annual travel and training costs are estimated at \$5,000.

3.3.3 Total Projected Costs:

COST CATEGORY	ANNUAL COST	
	Dollars	Billets
Civilian Personnel	\$ 83,513	22
Military Personnel	\$363,503	13
Travel/Training	\$ 5,000	-
ADP	\$ 18,000	-
TOTAL PROJECTED COSTS	\$470,016	35

3.4 Implementation Strategy:

3.4.1 One-Time Implementation Costs: Conversion Costs are estimated as follows:

3.4.1.1 ADP Equipment: The following ADP equipment is required to establish a U-2 partner site at CFAO:

MMD Printer	2 x	\$2,000 ea	\$ 4,000
Bar Code Scanner	2 x	\$1,191 ea	\$ 2,382
SCORPION	2 x	\$3,100 ea	\$ 6,200
Total Cost:			\$12,582

3.4.1.2 ADP Conversion: Labor costs for upgrade of ADP circuits and hardware, as well as labor for IPC systems applications programming and conversion are estimated to be **\$64K**.

3.4.1.3 Cost Avoidance for UADPS Level II: Not having to Re-host UADPS Level II system saves an estimated **\$466K**.

3.4.1.4 Total Conversion Savings:

CATEGORY	SAVINGS
ADP Equipment	\$ (12,582)
ADP Conversion	\$ (64,000)
UADPS Level II (Cost avoidance)	\$ 466,000
TOTAL CONVERSION SAVINGS	\$ 389,418

3.4.2 Benefits: Anticipated benefits include the following:

a. Reduction of logistics infrastructure would allow CFAO to convert 10 billets from logistics to other uses.

b. Net cost avoidance of \$389,418 by establishing a U-2 site and not re-hosting a Level II system.

c. Consolidation of logistics infrastructure for Okinawa customers for improved customer service.

d. Unique material would be positioned in Okinawa at point of consumption resulting in a reduction in Average Customer Wait Time (AWCT) for those line

items. Requisitions for Okinawa customers will more frequently be filled from stocks located in Okinawa rather than Yokosuka.

e. Move from stand-alone system to UADPS - SP site improves asset visibility and utilization of stock fund dollars. All material positioned at CFAO will be on FISC Yokosuka MSIR records. Based on demands of Okinawa customers material can be positioned closer to the customer point of consumption.

f. Reduction in duplicative inventory levels and functions.

g. Provides additional resources to support surge requirements in Okinawa, i.e. ARG support.

3.5 Comparison of Status Quo vs FISC Proposal:

COST CATEGORY	BASELINE COSTS	PROPOSED COSTS	SAVINGS
Civilian Personnel (USCS)	\$ 54,037	\$ 54,037	\$ 0
Civilian Personnel (MLC) *	\$1,410,000	\$ 940,000	\$470,000 *
Military Personnel	\$ 363,503	\$ 363,503	\$ 0
ADP	\$ 78,000	\$ 18,000	\$ 60,000
Travel/Training	\$ 0	\$ 5,000	\$ (5,000)
Overtime (MLC)	\$ 49,614	\$ 29,476	\$ 20,138
TOTAL ANNUAL SAVINGS	\$1,955,154	\$1,410,016	\$545,138

* Based on \$47,000 per MLC billet.

4. RECOMMENDATION: A partnership between FISC Yokosuka and Commander, Fleet Activities Okinawa (CFAO) would save over \$930,000 in the first year and integrate the capabilities of the two activities into a coordinated, regional support network improving support for Navy/Marine Corps customers, while also reducing infrastructure duplications, inefficiencies and costs. Additionally, this integrated organization would have the resources and flexibility to augment staffing as needed, through the use of "fly-away" teams or customer service beach detachments, during periods of heavy fleet operations. Recommend transfer of Okinawa Supply Support responsibility and resources identified in "To-Be" scenario from CFA Okinawa to FISC Yokosuka, using UADPS-U2 as the primary tool for implementation.